



## **Sift, Inc. Business Plan**

**November 15, 1997**

## TABLE OF CONTENTS

<b>1.0 EXECUTIVE SUMMARY .....</b>	<b>1</b>
<i>The Market Opportunity .....</i>	<i>1</i>
<i>The Company .....</i>	<i>4</i>
<i>Distribution Strategy.....</i>	<i>5</i>
<i>Technology/Intellectual Property .....</i>	<i>5</i>
<i>Financial Projections .....</i>	<i>6</i>
<i>The Transaction .....</i>	<i>7</i>
<b>2.0 THE SERVICES.....</b>	<b>8</b>
2.1 <i>Market Overview.....</i>	<i>8</i>
2.2 <i>Lists/Lead Services .....</i>	<i>9</i>
2.3 <i>Email Service Bureau .....</i>	<i>13</i>
<b>3.0 SALES &amp; MARKETING.....</b>	<b>15</b>
3.1 <i>Manufacturers Representatives .....</i>	<i>15</i>
3.2 <i>VARs.....</i>	<i>16</i>
<b>4.0 TECHNOLOGY .....</b>	<b>17</b>
4.1 <i>Intellectual Property .....</i>	<i>17</i>
4.2 <i>Infrastructure .....</i>	<i>19</i>
<b>5.0 ORGANIZATION.....</b>	<b>20</b>
5.1 <i>Executive Officers and Directors.....</i>	<i>20</i>
5.2 <i>Advisory Board .....</i>	<i>21</i>
<b>6.0 OWNERSHIP .....</b>	<b>23</b>
<b>APPENDIX .....</b>	<b>25</b>
A.1 <i>Representative Opt-in Email Lists.....</i>	<i>26</i>
A.2 <i>Active Net Datacard .....</i>	<i>27</i>
A.3 <i>A Prospector Enhanced Intender Lead .....</i>	<i>28</i>
B <i>Financial Projections .....</i>	<i>29</i>

# 1.0 Executive Summary

## ***The Market Opportunity***

According to the Direct Marketing Association, more than \$33 billion/year is spent in the United States on direct mail. Although many industry analysts believe that a significant portion of this activity will eventually migrate to the Internet, there is as yet no established market leader in Internet-based direct marketing services. Sift, Inc. has developed a suite of services that help businesses identify and contact prospects and customers with unprecedented accuracy, speed and economy. Sift believes its industry partnerships, world-class technical expertise, and compelling value proposition will establish it at the forefront of a new high growth, high margin industry.

### **Lists/Lead Services**

Sift has constructed a variety of premium quality lists that can be rented by direct marketers. Using a revolutionary Internet-based approach, Sift can (and has) compiled both email and conventional (postal address, telephone, fax numbers) lists at very low cost.

#### **Opt-in Email Lists**

According to the Direct Marketing Association, more than 75 billion direct mail pieces were distributed in the United States in 1996. But direct mail suffers from serious limitations. Rising costs, long lead times, and poor response make direct mail an increasingly risky proposition.

The average current cost of a direct mail campaign is nearly \$1/mailed piece (this estimate includes creative, printing, mailing list rental, computer processing, lettershop services and postage costs); price is not the only downside. A conventional direct mail campaign can take *months* to execute. And an offer targeted at an unfocused list, which provides only paper or telephone-based response mechanisms, often only generates a 1-2% response.

Responsible (opt-in) email-based advertising<sup>1</sup> offers a very appealing alternative for direct marketers. Compared to terrestrial direct mailings, email offers a faster and far less expensive medium for delivery. Compared to Web-based advertising, it offers better targeting opportunities, space unconstrained by the dimensions of a banner ad (permitting a more effective description of the offer) and a context (reading email) where the recipient's attention is focused.

Sift intends to build the largest, most comprehensive network of opt-in email lists, by extending our relationship<sup>2</sup> with the owners and moderators of email discussion groups. In essence, Sift serves as both list broker and list manager to sell the placement of direct marketing messages on email discussion lists. Through aggressive promotions on search services and directories (over 1,000,000 page impressions per month), Sift expects to build a network of over 2,000 lists reaching (collectively) over 1,000,000 subscribers, by January 1998.

<sup>1</sup> Email advertising that is sent to an individual with his/her consent.

<sup>2</sup> Sift maintains a search/archive service (Reference.COM) for email discussion group owners which archives and indexes their postings.

Sift's opt-in email lists rent for between \$100 and \$250 per thousand (CPM) recipients, for one-time use. Sift pays list owners \$50 per thousand for the use of their lists. The lists currently cover more than 300 topics from Adobe Photoshop Users to Windows NT System Administrators.

#### Internet-based Compiled Lists

Sift believes that publicly-accessible information on the Internet is a fertile ground for constructing a variety of direct marketing lists. Toward this end, Sift has developed technology to mine the Internet for the purpose of creating targeted postal/telemarketing lists.

**Active-Net.** Sift's first Internet-compiled list, Active-Net, provides the name, organization, postal address, telephone and fax number, and business SIC codes for more than 300,000 Internet systems administrators. The list has already been successfully used in several telemarketing and direct mail campaigns.

**Prospector.** Generating qualified sales leads is an enormously expensive and time-consuming job. For high-ticket items, it is not uncommon to spend several hundred dollars for a minimally qualified, half-baked lead. What's more, these leads still require additional work to move them through the sales funnel. For high ticket items, it can cost several thousand dollars more in the subsequent 'deselection' process to identify qualified prospects with a true intention to buy.

Sift's Prospector lists are an advanced Internet-based solution to reduce the cost of lead generation. Unlike conventional approaches which generate "half-baked" leads at a cost of \$200 and up, Prospector can generate "table-ready" leads at a lower cost that are ready to close.

**XAV**  
Prospector produces leads not otherwise available by monitoring the conversation in public discussion forums on the Internet. In these forums, prospective buyers seek advice from others about what products/services to purchase. Prospector extracts and builds a profile of these prospects, to produce 'enhanced' intender leads. Subscriptions to the Prospector service range from \$500.00 to \$5000.00 per month.

**Car Buyer.** Sift recently negotiated an agreement with R.L. Polk, a leading direct marketing company with fiscal 1996 sales of \$326 million, to produce a list of the names, addresses, and telephone numbers of likely automobile buyers. The leads will be mined from various sources, including online classifieds.

A pilot test to validate the quality of the leads will be conducted from December, 1997-April, 1998. Pending successful completion of the pilot test, Sift will use its technology to compile the list and Polk will market it through its direct sales force to buyers of its existing automobile lead products. Sift estimates the list will command rental fees in excess of \$1000 CPM.

Sift's technology can be readily applied to create lists in many other products/service categories.

09/484,861 (Declaration Exhibit A)

## Appendix A.3: A Prospector Enhanced Intender Lead

Deal summary  
and customer  
profile

Name:	Mark A. Moehling
Job Title:	Business System Analyst
Address:	Xantel Corporation 4114 East Wood Street Suite 3 Phoenix, AZ 85040-1941
Company:	Annual Revenues: \$ XX Million, XX yrs old, XX employees
Telephone:	602-437-6453
Email:	<a href="mailto:moehling@xantel.com">moehling@xantel.com</a>
Competition:	Onyx, Clientele
Need:	Immediate

Posting made to  
an Internet forum

Subject: Looking for a Support System  
From: Mark Moehling <[moehling@XANTEL.COM](mailto:moehling@XANTEL.COM)>  
Date: 7 May 1997 20:03:45 GMT  
Message-ID: <5kqn71\$fr@falcon.ccs.uwo.ca>  
Organization: Unknown Organization -- Relayed by Sendmail  
Newsgroups: uwo.comp.helpdesk

Hello,

I am looking for a Support product for my company which will be  
accessible via the WEB and integrates with MS SQL/Server. Our company  
is a startup software development company and we plan on having our  
first release in June and I would like to have a system in place.

I have gotten my list down to Onyx and Clientele. Has anyone else done  
any research in this area.

Thanks Mark